



STATE BOARD OF LAND COMMISSIONERS

Dirk Kempthorne, Governor and President of the Board

Ben Ysursa, Secretary of State

Lawrence G. Wasden, Attorney General

Keith L. Johnson, State Controller

Marilyn Howard, Superintendent of Public Instruction

Winston A Wiggins, Secretary to the Board

Final Minutes Regular Land Board Meeting June 6, 2003

The regular meeting of the Idaho State Board of Land Commissioners was held on Friday, June 6, 2003 in Boise, Idaho. The meeting began at 9:09 a.m. The Honorable Dirk Kempthorne presided. The following members were present:

Honorable Attorney General Lawrence G. Wasden

State Controller Keith L. Johnson

Honorable Superintendent of Public Instruction Marilyn Howard

Secretary to the Board Winston A Wiggins

Secretary of State Ysursa participated in the meeting via conference phone beginning at 9:09 a.m. and ending at 9:29 a.m.

• CONSENT AGENDA

Director Wiggins provided background information on the Consent Agenda items.

A motion was made by Attorney General Wasden to approve the Consent Agenda in its entirety. Controller Johnson seconded the motion. The motion carried on a vote of 5-0.

1. Director's Report – approved

- A. Interest Rate on Department Transactions – May 2003
- B. Bureau of Surface and Resource Management, Minerals Section, Official Transactions – April 2003
- C. Bureau of Real Estate, Land Sale Section, Official Transactions – April 2003
- D. Bureau of Real Estate, Easement Section, Official Transactions – April 2003
- E. Bureau of Surface and Resource Management, Range Management and Surface Leasing Section, Official Transactions – April 2003
- F. Timber Sale Official Transactions – April 30, 2003 through May 27, 2003
- G. Timber Sale Activity Report
- H. Current Legal Matter Summary – *as of June 6, 2003*

2. Timber Sales – Staffed by Bob Helmer, Chief, Bureau of Forest Management – approved

A. Lower Carpenter	CR-3-0484	5,755	MBF
B. Slim Power	CR-3-0489	2,675	MBF
C. Trapper Scott OSR	CR-3-0494	7,360	MBF
D. Deer Point	CR-4-0750	5,380	MBF
E. West Fork of Big Bear Creek	CR-4-3003	2,600	MBF
F. Iron Mountain	CR-4-3009	3,990	MBF
G. Church Canyon	CR-4-5003	1,395	MBF
H. Upper Mosquito	CR-5-0107	1,427	MBF
I. Middle Scriver	CR-6-0163	3,305	MBF

DISCUSSION: Attorney General Wasden asked if the sales are in accordance with silvicultural practices. Director Wiggins stated the sales are consistent with silvicultural practices.

3. **Approval of Contract Modification to Repair Two Bridges in the Floodwood** – Staffed by Ron Litz, Assistant Director, Forestry and Fire – approved

DEPARTMENT RECOMMENDATION: That the Board direct the Department to modify the contract.

BOARD ACTION: Approved.

4. **Authorization for Issuance of Deficiency Warrants to Pay Fire Suppression Costs in Fiscal Year 2003** – Staffed by Ron Litz, Assistant Director, Forestry and Fire – approved

DEPARTMENT RECOMMENDATION: That the Board authorize the Department to issue deficiency warrants necessary to pay the fire suppression costs beyond the \$124,000 appropriation for fiscal year 2004.

BOARD ACTION: Approved.

5. **Request for Authorization of a “Ground Lease” between the Board of Land Commissioners, Idaho State Police and the Idaho State Building Authority** – Staffed by Ann Thompson, Idaho State Police; Joanna Guilfooy, Department of Administration; Kent Nelson, Attorney General’s Office – approved

DEPARTMENT RECOMMENDATION: That the Board direct the Department and the Idaho State Police to enter into the Ground Lease with the Idaho State Building Authority.

BOARD ACTION: Approved.

6. **Minutes** – approved

A. Regular Land Board Meeting – May 13, 2003

• **REGULAR AGENDA**

7. **Endowment Fund Investment Board’s Manager’s Report** – Presented by Matthew Haertzen, CFA, Manager of Investments, EFIB

DISCUSSION Governor Kempthorne asked if the EFIB had selected a consultant. Mr. Haertzen stated [Dain Rauscher](#), Dallas, Texas, was selected. Governor Kempthorne recommended that the names of the Dallas office individuals be written into the contract to assure the services of those specific individuals. Mr. Dean Buffington, newly elected Chairman of the Endowment Fund Investment Board, stated due to past experience, the retention of the two individuals now serving the fund out of Dallas was a major point of discussion at the EFIB board meeting and through the selection process. It has been made very clear that the relationship with Dain Rauscher is based on these two individuals and their performance.

- A. New Endowment Fund Investment Board (EFIB) Chairman – Dean Buffington

Mr. Buffington stated quite a few personnel changes have occurred in the past year. The EFIB has re-evaluated its consulting contract, has made changes in the fund’s asset allocation and has made changes regarding employment of individual investment managers. Recently, the EFIB made the decision to move fixed income into an index vehicle.

Governor Kempthorne thanked Mr. Buffington for his continued diligent work and efforts as a member, and now Chairman, of the EFIB. Significant positive changes have been made. Governor Kempthorne went on to mention the recent dedication of the AMI Semiconductor ([AMIS](#)) research and development facility in Pocatello. Chris King, AMIS Chief Executive Officer, announced there

would be a net increase of 100 employees at AML. In the last year, Pocatello has experienced a net increase of 1500 jobs. Post Falls and Twin Falls are other examples of the changing economy. Forbes Magazine also named Boise the second most vibrant community for business in the country. These positives bode well for Idaho. Governor Kempthorne believes Idaho will be one of the first states to help lead the country forward.

B. New International Growth Manager – Tim McAvoy, [Marvin & Palmer Associates](#), Inc.

Tim McAvoy provided a brief overview of Marvin & Palmer.

- founded in 1986;
- an international growth manager located in Wilmington, Delaware;
- independent and employee-owned;
- manages four different portfolios, with its international portfolio representing over \$4 billion in assets;
- focus on institutional clients;
- proven ability to outperform.

DISCUSSION: Governor Kempthorne asked what country is emerging as the strongest in the international market. Mr. McAvoy responded China is making unbelievable strides to become more capitalistic and will lead the world in growth. As an interesting note, Governor Kempthorne stated that the landscaping for the [Three Gorges Dam Project](#) on the Yangtze River located in Sandouping, Yichang, Hubei Province is from Idaho. Also, Tinnaman Square grass is from Idaho's [Jacklin Seed](#).

Governor Kempthorne asked about Japan's economic outlook. Mr. McAvoy stated Japan is in a huge turmoil with almost no growth and experiencing deflation. The exception is world class competitor corporations that are globalized, such as Honda and Sony. But when looking at Japan's financial and banking communities, the economic outlook is poor.

Governor Kempthorne asked if Marvin & Palmer's Board of Directors looks at companies such as Hyundai from Korea. Hyundai is planning to manufacture in the United States. Mr. McAvoy stated Marvin & Palmer is constructive on South Korea. The Firm looks at all factors in terms of how likely those factors are to stimulate growth and earnings. Governor Kempthorne asked if South Korea is seen as gaining strength. Mr. McAvoy stated it is safe to say that within the next 12-18 months South Korea will move into the developed world market. Currently, South Korea is considered an emerging market.

Governor Kempthorne asked Mr. McAvoy for his view on Europe. Mr. McAvoy stated overall his Firm is not constructive on Europe. The European economies have almost no growth. Unions are gaining strength and are putting pressure in terms of increased cost when there is less demand.

C. 1st Quarter Performance Rankings

Mr. Haertzen provided a brief overview for the Board.

D. Manager Insight

Mr. Haertzen provided a brief portfolio manager insight.

DISCUSSION: Governor Kempthorne asked why there is hesitation in making a change with Nicholas-Applegate. Mr. Haertzen stated the team running the small cap growth product is the same team that was in place two years ago when the selection was originally made. There have been some Firm changes, but no team-specific changes. Small cap growth as a product is out of favor so small cap growth stocks have had a difficult time over the last couple of years. In down markets, growth managers tend to under perform, and that is why you have a value compliment. Value is expected to do well in down markets.

While Nicholas-Applegate has performed poorly for two years, those two years witnessed the markets going straight down. However, if you look at calendar year-to-date numbers, they are up

about 21%. It is very expensive to change managers. You go through the process of selecting a manager in that category, look at selling the assets of the old manager and buying all of the assets of the new manager. We want to make sure it is the right decision, and that we are not just chasing performance.

Governor Kempthorne asked if Mr. Haerten anticipates any further changes or is aware of any vulnerability that needs to be corrected. Mr. Haerten stated the basic outline is in place. A couple of legacy managers will be reviewed before the end of the year. One issue being considered is the current custodial relationship. The big four premier custodians in the country are State Street, Mellon, Northern and Bank of New York. These custodians offer different services and opportunities to more efficiently manage the endowment fund portfolio. The custodial relationship with Key Bank will be reviewed, and the EFIB will come back to the Land Board with its recommendation.

BOARD ACTION: No action was taken on this agenda item.

- *At 10:00 a.m., a motion was made by Superintendent Howard to resolve into Executive Session. Controller Johnson seconded the motion. The motion carried on a vote of 4-0, with Secretary of State Ysursa being absent for this vote.*

• **EXECUTIVE SESSION**

A. To Consider Records that are Exempt from Disclosure [Idaho Code § 67-2345(1)(d)]

B. To Consider and Advise Its Legal Representatives in Pending Litigation or Where There is a General Public Awareness of Probable Litigation [Idaho Code § 67-2345(1)(f)]

C. To Consider Personnel Matters [Idaho Code § 67-2345(1)(b)]

- *At 10:40 a.m., a motion was made by Superintendent Howard to resolve into Regular Session. Controller Johnson seconded the motion. The motion carried on a vote of 4-0, with Secretary of State Ysursa being absent for this vote.*

There being no further business to come before the Board, the meeting adjourned at 10:40 a.m.

IDAHO STATE BOARD OF LAND COMMISSIONERS

/s/ Dirk Kempthorne

President, State Board of Land Commissioners and
Governor of the State of Idaho

/s/ Ben Ysursa

Ben Ysursa
Secretary of State

/s/ Winston A Wiggins

Winston A Wiggins
Director

The above-listed final minutes were approved by the State Board of Land Commissioners at the July 8, 2003 regular Land Board meeting.